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WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

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TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 03/19/08

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Prime Minister's schedule, March 18, 2008

08:40

Comprehensive Maritime Policy Headquarters meeting in the Diet.

09:20

Met with Internal Affairs Minister Masuda at the Kantei, followed by Hungarian Foreign Minister Goncz.

10:52

Met with Deputy Chief Cabinet Secretary Futahashi.

11:04

Met with Vice Finance Minister for International Financial Affairs Shinohara.

13:00

Upper House Budget Committee meeting.

17:31

Council on Economic and Fiscal Policy meeting at the Kantei.

19:29

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Met with Chief Cabinet Secretary Machimura.

19:43

Arrived at the official residence.

4) Upper House to reject nomination of Tanami for BOJ governorship; Shirakawa to serve as acting BOJ governor for while

NIKKEI (Top Play) (Excerpts)
March 19, 2008

The Diet will hold today the plenary sessions of the two Diet chambers to take a vote on the government's candidates to replace Bank of Japan Gov. Toshihiko Fukui and a deputy BOJ governor, whose tenures expire today. The government yesterday presented its nominations of Japan Bank for International Cooperation Gov. Koji Tanami, a former vice finance minister for international affairs, to be the new BOJ governor, and BOJ Policy Board member Haruhiko Nishimura to be a deputy governor, but the main opposition Democratic Party of Japan (DPJ or Minshuto) decided to reject Tanami's nomination. Therefore, the BOJ governor's post will be vacant on March 20 as the government's nomination of Tanami is certain to be rejected.

The DPJ last night discussed measures to counter the government's new nominees and unanimously decided to disapprove the nomination of Tanami as governor but to approve Nishimura's nomination as deputy governor. Secretary General Yukio Hatoyama told the press:

"I wonder whether it is possible for a person without much knowledge of international monetary affairs to serve in that post. (The BOJ governorship) is the ultimate post for the Finance Ministry to place its retired senior officials."

The largest opposition party rejected the government's initial plan to promote Deputy BOJ Gov. Toshiro Muto to the governor's post on the grounds that Muto, who was called "Mr. Finance Ministry," would not be able to separate monetary policy from fiscal policy. Many DPJ members are reacting negatively toward the government's second decision to nominate a former vice finance minister for the central bank post.

The Social Democratic Party and Japanese Communist Party also will reject the nomination of Tanami. The People's New Party, however, yesterday decided to approve it, but the government's nomination of Tanami is expected to be disapproved in the Upper House by a majority of lawmakers from the opposition parties. The central bank governorship will fall vacant on the 20th for the first time in the postwar period. It is highly likely that Masaaki Shirakawa will serve as acting BOJ governor as both Diet houses approved him as a deputy governor.

5) Fukuda grumbles over dispute on nomination for BOJ governorship

MAINICHI (Page 3) (Full)
March 19, 2008

After presenting the government's new plan to nominate Koji Tanami, former administrative vice finance minister, for the Bank of Japan's governor post, Prime Minister Yasuo Fukuda told reporters last night: "I picked him, taking his personal character into consideration. I appointed the right person for the right job. The

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current situation is not normal. Who else will assume the post?" But this plan is also certain to be rejected in the House of Councillors. The prime minister is grumbling about the situation.

Asked if he did not expect the Democratic Party of Japan's (DPJ) rejection, Fukuda replied: "I did not expect it," adding: "It is strange that the DPJ raises opposition only because he once worked for the Finance Ministry." He went on to say: "The argument for separating fiscal policy and monetary policy says that fiscal and monetary policies should be separated, but it also means that the two policies should be fully coordinated in smoothly managing the economy."

Meanwhile, the prime minister seems to have realized through the turmoil over the selection of the BOJ top posts how influential the leading party in the Upper House is. He commented: "The DPJ now holds enormous clout. I am willing to listen to what it says."

A senior government official grumbled last night: "The DPJ is maneuvering to press the government to dissolve the House of Representatives. We have no cards. I no longer care about what happens."

6) Ruling parties start coordination on reallocation of all road funds to general account

ASAHI (Page 1) (Excerpts)
March 19, 2008

The Liberal Democratic Party (LDP) and the New Komeito yesterday started final coordination on a revision of their bill related to special-purpose road construction road funds with the possibility of reallocating the full amount, including revenues from the provisional tax, to the general account. They plan to forgo the implementation of the plan in fiscal 2008, making it a future target. A revision of the mid-term road construction program featuring the investment of up to 59 trillion yen over 10 years will also be incorporated in the revision plan. The ruling bloc will reach a final decision on the 19th at the earliest. They will then propose revision talks to the Democratic Party of Japan (DPJ or Minshuto), by presenting the revision plan.

LDP Secretary General Sadakazu Tanigaki and his New Komeito counterpart Tetsuo Saito yesterday evening met in Tokyo. In revising the bill, they agreed to bear in mind that the reallocation of road funds would be started from the fiscal 2009 budget at the earliest, though they decided not to specify when it would be implemented. They also agreed to review the mid-term program, which is drawing criticism that grounds for the calculation standards are vague, based on a new traffic demand estimate. However, any numbers concerning the project amount of 59 trillion yen would not be incorporated in the revision plan.

7) Question mark on prime minister's leadership in handling road tax bill

MAINICHI (Page 5) (Excerpts)
March 19, 2008

In intensive deliberations on the issue of taxes for highway construction held at the House of Councillors' Budget Committee yesterday, even ruling party members called for revamping the

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government's bill amending the Special Taxation Measures Law, which includes a measure to extend the current provisional gasoline tax rate, which expires in two weeks. Prime Minister Yasuo Fukuda expressed his hope that the ruling and opposition camps will agree on revising the bill in an effort to enact the legislation by the end of this fiscal year, but he stopped short of mentioning any specific revisions. If gasoline prices are lowered, it would shake the political situation. A question mark is being put on the prime minister's leadership as the expiration of the current higher tax rates is coming closer.

In a question-and-answer session in the deliberations yesterday, Shinsuke Suematsu of the Liberal Democratic Party expressed a sense of crisis over the possible expiration of the provisional tax rate. He said: "If (gasoline prices) go up and down, the LDP may end up being seen in a bad light. The current session might be called the 'gasoline Diet session'. Or it could be called an 'explosive session' that will explode with just a match."

On the tax bill, no prospects are in sight for deliberations to be started in the Upper House. If the ruling and opposition camps fail to reach an agreement, it will be hopeless for the bill to become law by the end of this fiscal year. Despite such a possibility, little progress has been made in drafting an amendment proposal by the ruling parties.

The ruling coalition is looking into shortening the period of the mid-term highway-construction program worth 59 trillion yen over the next ten years and other measures. But Tatsuo Hirano of the Democratic Party of Japan emphasized yesterday that the party will not agree to talks if minor revisions are made, saying: "The coalition should present a proposal that amazes us."

In the end, the possibility is growing that the government will not be able to amend the bill by the end of the fiscal year.

8) BOJ governor's post now certain to be vacant: Business circles wary of losing international confidence; Criticism of government, DPJ mounting

ASAHI (Page 9) (Excerpts)
March 19, 2008

It became certain yesterday that the post of Bank of Japan's (BOJ) governor will become vacant. Regarding this unprecedented situation, a number of business leaders criticized the political world, which has failed to appoint a successor to incumbent Governor Toshihiko Fukui, whose term expires on March 19. The market could become even more unstable, if the high-yen and low-stock-price trends caused by the financial crisis originating in the U.S. continues and the post of the central bank's governor remains vacant.

Uichiro Niwa (chairman of Itochu Corporation), a private-sector member of the government's Council on Economic and Fiscal Policy, noted after a panel meeting: "I want the government to think about Japan's position in the world. The present situation is shameful."

Japan Association of Corporate Executives (Keizai Doyukai) Representative Director Masamitsu Sakurai told a news conference in the Diet, "The government was forced to choose key personnel amid a situation where it is difficult to deal with bills due to the divided Diet. It should have proceeded with the matter accordingly,

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by making full preparations." He criticized both the government and the Democratic Party of Japan (DPJ or Minshuto), noting that both sides are to blame -- the government for resubmitting an appointment plan immediately before the incumbent governor's tenure expires and the DPJ for standing firm on its stance of opposing the government proposal on the basis of separation of fiscal and monetary administration. He then pointed out, "The period between the refusal of the nomination of Muto and the expiration of the tenure of the incumbent governor is far too short."

Both the government and the DPJ are under fire. Japan Chamber of

Commerce and Industry President Tadashi Okamura, chairman of Toshiba, said at a press conference, "Both sides are to blame. We want them to take procedures to avoid the post of BOJ governor from becoming vacant amid an extremely harsh situation, as can be seen in turmoil in the financial market."

If the post of the central bank's governor becomes vacant amid the continuing commotion over the financial market stemming from the subprime loan crisis in the U.S., concern about escalated turmoil would spread. Japan could also lose international confidence. Okamura said: "I am most concerned that Japan might lose international confidence. It is very regrettable that discussions lacking an international viewpoint are going on."

9) May be a gap in the sympathy budget

SANKEI (Page 5) (Full)
March 19, 2008

The House of Representatives called a plenary sitting of its members yesterday to enter into deliberations on a new special agreement for a three-year extension of Japan's host nation support for U.S. Forces Japan ("omoiyari yosan" or literally "sympathy budget") from April. The new special measures agreement will be approved in the House of Representatives with its prior decision even if it is vetoed in the opposition-dominated House of Councillors. However, the lower chamber's entry into deliberations was substantially delayed with the standoff between the ruling and opposition parties over the government's nominations for Bank of Japan posts. As it stands, if the upper chamber forgoes its approval of the new special agreement within the current fiscal year, the HNS budget may not go into effect as planned.

In fiscal 2008, the new agreement sustains Japan's burden-sharing at 140.9 billion yen, which is based on the current agreement. In fiscal 2009 and 2010, Japan is to cut 400 million yen each in its HNS budget for electricity, gas, and other utilities used at U.S. military bases in Japan.

The special measures agreement is a kind of treaty, and the House of Representatives' decision comes before the House of Councillors' decision under the Constitution. It will therefore come into effect if the House of Councillors does not take a vote on it within 30 days after the House of Representatives' decision. In this case, however, the new agreement will be approved in mid-April or later. Accordingly, there will be a blank for nearly a half month in the HNS-related budget with no payments made to the U.S. forces in Japan.

The House of Councillors needs to take a vote on the new agreement by the end of March in order for the government to ensure its

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appropriate execution of the HNS budget. However, the leading opposition Democratic Party of Japan (Minshuto) has raised questions about Japan's coverage of personnel costs for employees working at recreational facilities, such as at bars and golf courses. It is unclear whether Diet deliberations on the new agreement will go smoothly.

The current agreement is to expire at the end of March. If the House of Councillors delays its vote on the new agreement, the government cannot execute the HNS budget for a while after April 1. In that case, the Japanese government will likely have to ask the U.S. government to shoulder Japan's burden for the interim. Some government officials are therefore voicing concern about the negative impact on bilateral relations.

10) Diet debate on "sympathy budget" begins but DPJ heightens opposition to new special measures agreement

YOMIURI (Page 4) (Full)
March 19, 2008

Debate on a bill related to a new special measures agreement on host-nation support for the costs of stationing U.S. forces in Japan

(commonly known as "sympathy budget" allocations) began at a Lower House plenary session yesterday. Foreign Minister Masahiko Koumura explained the bill this way: "This agreement is important in terms of peace and stability in the Asia-Pacific region. We need to have take effect swiftly." But the major opposition Democratic Party of Japan (DPJ) has heightened its opposition to the bill, with one member arguing, "The taxpayers' money will be disbursed without any rational explanation." It is uncertain whether the new special measures agreement will be approved in the Diet before the end of the month, when the current one is to expire.

The term of the new agreement is three years. Under the agreement, the Japanese government will pay 143.8 billion yen (for fiscal 2008) for salaries of workers working at U.S. bases as well as for utility charges. The salaries include those of attendants at golf courses and bartenders. At a meeting yesterday of the DPJ's Foreign Affairs and Defense Council, one participant criticized the new agreement: "Much money is planned to be used for the entertainment of U.S. military personnel."

11) Lower House begins deliberations on sympathy budget; Budgetary vacuum may arise depending on Upper House's response

TOKYO SHIMBUN (Page 2) (Excerpts)
March 19, 2008

The House of Representatives at its plenary session yesterday began discussing a new agreement replacing the special agreement on Japan's host nation support for stationing U.S. forces in Japan (sympathy budget) what will expire at the end of March. As with a treaty, the agreement automatically obtains Diet approval 30 days after the Lower House's endorsement. However, if the House of Councillors' deliberations slip to April, the government will not be able to implement the budget temporarily. The focus is now on the Democratic Party of Japan, which takes the initiative in the Upper House.

The new agreement, good for three years from fiscal 2008, is designed to retain 25.3 billion yen of the utility expenses on U.S.

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bases to be borne by Japan in fiscal 2008. It is also designed to reduce the utility expenses in fiscal 2009 and 2010 by 400 million (1.5 PERCENT) yen each.

In a question-and-answer session yesterday, Shoichi Kondo of the Democratic Party of Japan asked, "How long will the government keep using tax money for expenses that are not clear?"

The DPJ has yet to formally decide on its response to the new agreement. It has become clear that Japan's host nation support includes costs of employees working at leisure facilities, such as bowling alleys and bars. This has drawn objections, with a DPJ member saying: "The system might be helpful to create jobs, but it cannot obtain taxpayers' understanding."

In the wake of a series of misconduct by U.S. service members, the DPJ, along with the Social Democratic Party and the People's New Party, is drafting a plan to revise the Japan-U.S. Status of Forces Agreement. There is a view in the DPJ that approval of the new agreement must be based on a review of the SOFA.

The government is seeking an early approval of the new agreement so that the divided Diet will not negatively affect the Japan-U.S. alliance, with a senior Foreign Ministry official saying: "We would like to see an early conclusion on the matter, which concerns the bilateral security setup."

12) JCG to send papers to prosecutors on MSDF officer over Aegis accident

ASAHI (Page 1) (Abridged)
March 19, 2008

The 3rd Regional Coast Guard Headquarters of the Japan Coast Guard will send papers to the Yokohama District Public Prosecutors Office

next month on a 34-year-old lieutenant commander who is an antisubmarine warfare officer and was on duty when the Maritime Self-Defense Force Aegis destroyer Atago collided with the fishing boat Seitoku Maru on Feb. 19 in waters off Chiba Prefecture's Boso Peninsula, on suspicion of professional negligence resulting in endangering sea traffic. The JCG attributes the accident mainly to the Atago. The focus of investigations into the Aegis accident is on whether other Atago crewmen on duty at that time were negligent in the performance of their duties. However, the JCG is likely to forgo indicting the Atago's captain on that suspicion, taking the position that he had little to do with the accident as he was taking a nap when the accident took place. In addition, the JCG suspects that the fishing boat was also negligent in part. In this respect, the JCG is looking into the possibility of making a case against the fishing boat.

13) MOD to dismiss MSDF Chief of Staff Yoshikawa to take responsibility for series of scandals

ASAHI (Page 4) (Abridged slightly)
March 19, 2008

In the wake of the recent collision between the Maritime Self-Defense Force Aegis destroyer Atago and the fishing boat Seitoku Maru, the Ministry of Defense has informally decided to dismiss MSDF Chief of Staff Eiji Yoshikawa, 60, and replace him with Deputy Chief of Staff Tamotsu Kato, 58. The government will make a

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cabinet decision on the matter as early as March 21.

Yoshikawa, who assumed the post in August 2006, will resign from the post to take responsibility for a series of improprieties, such as a leak of data on the Aegis system, the underreported Japan's fuel oil to a U.S. vessel on the Indian Ocean, and a fire on the destroyer Shirane.

Kato, who graduated from the National Defense Academy in 1973, served as Maritime Staff Office defense division chief, Maizuru regional headquarters chief, and Joint Staff deputy chief. He has been MSDF deputy chief of staff since August 2006. After the Atago accident, he has also been spearheading the MSDF's investigative committee.

Defense Minister Ishiba, holding a press conference in the Diet building yesterday, commented on an interim report on the Atago incident, "We will release a report as early as March 21 in a scope that does not hamper the investigation." He is expected to dismiss Yoshikawa after clarifying his responsibility.

At the same time, Ishiba indicated that he would also take responsibility in some fashion. He specifically intends to voluntarily return his salary. Ishiba also intends to punish Administrative Vic-Defense Minister Kohei Masuda and other MSDF officials concerned, who created confusion after the Atago collision, as soon as investigative work is over.

14) Construction of U.S. military housing over last three decades cost 545.9 billion yen, or 48 million yen per unit; Foreign minister: "Expenditures were appropriate"

ASAHI (Page 4) (Full)
March 19, 2008

It became clear in yesterday's Lower House plenary session that 545.9 billion yen in Japan's host-nation support for stationing U.S. forces in Japan (sympathy budget) has been spent over the last three decades for constructing 1,295 U.S. military housing units (including those now under construction). The figure does not include land rent. By simple calculations, the construction of one unit costs an average 48 million yen.

Foreign Minister Masahiko Koumura and Defense Minister Shigeru Ishiba replied to questions from Shoichi Kondo of the Democratic Party of Japan and Kantoku Teruya of the Social Democratic Party.

According to government data, the construction cost was especially high at the Ikego housing area and the Navy auxiliary facility in the city of Zushi, Kanagawa Prefecture, which cost 66.6 billion yen to build 854 units between 1979 and 2007. Simply put, it cost 78 million yen a unit. The standard family unit reportedly has a floor space of 137 to 157 square meters.

Asked about the appropriateness of such luxurious housing, Koumura said: "The government has taken appropriate measures based on its own decision while listening to the U.S.' wishes, within the scope of the Japan-U.S. Status of Forces Agreement and while taking into consideration the relationship between the purpose of the bilateral security treaty and the financial burden. The expenditures were appropriate."

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15) Japan to ask for clarification of Japan's right to arrest suspects in joint patrols with U.S. military

TOKYO SHIMBUN (Page 2) (Full)
March 19, 2008

Foreign Minister Masahiko Koumura announced yesterday that the government will make a proposal before long at a Japan-U.S. Joint Committee meeting to make it clear that Japanese side has the right to arrest suspects in conducting joint patrols by the U.S. military and local law enforcement authorities, a step included in a set of measures to prevent crimes that was mapped out following the recent alleged sexual assault against a junior high school girl in Okinawa by a U.S. service member. Koumura revealed the view to senior LDP Okinawa chapter officials who visited the Foreign Ministry.

The Okinawa Prefectural Police are opposed to joint patrols, saying that it is not clear which side -- Japan or the United States -- has the right to arrest suspects in connection with the Japan-U.S. Status of Forces Agreement. According to the Foreign Ministry, Japan can have the right to arrest suspects when patrols are conducted by regular U.S. service members who are not military police officers.

About the right to arrest suspects, the U.S. consul general for Okinawa, too, has expressed a desire to deal with the matter by operating the SOFA flexibly.

16) Government adopts Diet reply that does not allow guards to carry guns outside U.S. bases

MAINICHI (Page 5) (Full)
March 19, 2008

Nakae Ueno

At a cabinet meeting yesterday, the government approved a written Diet reply to the question of whether to allow Japanese guards working for U.S. military bases to carry guns outside bases. Specifically, the written reply states that it is only natural not to approve carrying guns in light of the Japan-U.S. Status of Forces Agreement. This written reply was in response to a written question posed by House of Councillors member (independent) Keiko Itokazu. In this connection, there was a case last month of Japanese guards working at a U.S. Marine Corps base in Okinawa going off the base carrying guns at the order of U.S. military police. The Ministry of Foreign Affairs filed a protest with the U.S. by noting, "It is extremely regrettable that the action ordered by the U.S. military was an act the U.S. military prohibits."

The written reply revealed that a total of 68 Japanese guards went off the base carrying guns on Feb. 11 and 12, and followed the U.S. side's explanation that the wrong order was withdrawn immediately. As to the question of whether carrying guns is in violation of the Swords and Firearms Control Law, the written reply refrained from taking a position by simply noting that details are unclear because the U.S. has yet to answer the Japanese side's inquiries.

17) Discord now evident in MOD over realignment plans, with civilian officials and uniformed officers wide apart one month after Aegis

vessel's collision

YOMIURI (Page 4) (Full)

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March 19, 2008

One month will have passed today since the Maritime Self-Defense Force's (MSDF) Aegis vessel's collision with a fishing boat. It has now become clear that civilian officials at internal bureaus of the Ministry of Defense (MOD), and uniformed officers at the Ground, Maritime, Air Staff Offices are wide apart over how best to handle the incident. Defense Minister Ishiba is making desperate efforts to go ahead with his proposed-plans aimed at realigning both civilian officials and military officers, but his "radical plans" have met with strong objections inside and outside the organization, resulting in widening internal discord in MOD, a senior MOD official noted.

Ishiba's idea is to consolidate the two groups and realign them into three groups: defense buildup, troop operations, and Diet affairs/public relations. The purpose is to unify civilian officials and uniformed officers and to establish a system for them to support the defense minister as one. Ishiba in this regard has stressed: "It is not uniformed officers but politicians who should play a leading part in civilian control. I think it is necessary to reorganize the ministry in a way that will make it easy for the defense minister to manage it." Civilian officials have stood at advantage over uniformed officers for a half century since the Defense Agency and the Self-Defense Forces were established, but Ishiba has asserted that this situation should be reconsidered.

His approach, however, has met with strong objections inside and outside MOD. Civilian officials are alarmed by Ishiba's plans with one arguing, "It's wrong for uniformed officers to take leadership as if to say, 'Civilian officials, who are lay people when it comes to military affairs, should shut up.'" Meanwhile, uniformed officers criticize (Ishiba's plans) with one official arguing, "His plans will deprive the Ground, Maritime, and Air Staff Offices of their respective uniqueness. Consideration should be paid not only to 'the employer' but also 'the employees.'" Even many in the government and the ruling parties, as well, are cautious about Ishiba's proposal with one official noting, "Ishiba's plans are too bold."

Ishiba intends to give shape to the realignment plans in the reform promotion task force established in the ministry and present with the plans to the Council on Reform of MOD in the Prime Minister's Official Residence. But even in the council, some have voiced a cautious view about his reform proposal with one noting, "It is incorrect to think that the organization would surely go smoothly once it is realigned." It is unclear whether his realignment proposal will be accepted without too much resistance.

18) METI estimates introduction of advanced technology to cut CO2 emissions in FY2020 by up to 13 PERCENT, energy-saving costs at 52 trillion yen

YOMIURI (Page 2) (Excerpts)

March 19, 2008

Carbon dioxide (CO2) emissions in FY2020 and FY2030 that were calculated by the Ministry of Economy, Trade and Industry (METI) were released yesterday. According to the calculation, if the state-of-the-art energy technology spreads across the nation at the fastest rate, the nation's greenhouse gas emissions will be reduced by 13 PERCENT in FY2020 and by 22 PERCENT in FY2030 below the FY2005 level. But METI calculates the amount of energy-saving costs

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to be paid by companies and households by FY2020 at approximately 52 trillion yen, showing the severity of combating global warming.

The tentative calculation will be included in a draft of the report "long-term energy supply and demand outlook" to be submitted today

by METI to the Study Committee for Natural Resources and Energy, an advisory panel to the METI minister. The calculation will be used as basic data for the government to set mid-term targets for cutting greenhouse gas emissions.

CO2 emissions through energy consumption account for about 90 PERCENT of the total greenhouse gas emission. The calculation was made on the assumption that the average real growth rate during the FY2010-2020 period will be at 1.9 PERCENT and that the government will not introduce such regulations as mandating companies and households to replace existing electrical appliances with energy-saving ones.

SCHIEFFER